

Message Text

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: CHANCELLOR HEALEY REPORTS TO HOUSE OF COMMONS ON
HIS SAUDI ARABIAN VISIT

1. THE FOLLOWING IS A SUMMARY OF CHANCELLOR HEALEY'S REPORT TO THE HOUSE OF COMMONS ON HIS TALKS WITH SAUDI ARABIAN OFFICIALS.

2. MR. HEALEY STATED THAT THERE WAS A POSITIVE INTEREST IN THE DEVELOPMENT OF CLOSER ECONOMIC AND INDUSTRIAL COOPERATION BETWEEN SAUDI ARABIA AND THE U.K. IT WAS AGREED THAT A MEETING BETWEEN OFFICIALS OF THE TWO GOVERNMENTS WOULD TAKE PLACE IN RIYADH IN FEBRUARY, WITH THE POSSIBILITY OF ESTABLISHING A JOINT COMMISSION.

3. IRRESPECTIVE OF THE FACT THAT SAUDI ARABIA HAS INSTRUCTED ALL FUTURE OIL PAYMENTS BE MADE IN DOLLARS, HEALEY EMPHASIZED THAT THE SAUDI MINISTERS MADE IT CLEAR THAT THEY INTENDED NOT ONLY TO MAINTAIN BUT TO INCREASE THEIR HOLDINGS OF CURRENCIES IN THE U.K. AND EXPAND THEIR INVESTMENTS HERE. COMMENT: THIS STATEMENT BY HEALEY WAS RECEIVED
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ED FAVORABLY IN THE FOREIGN EXCHANGE MARKETS, WITH THE

POUND SHOWING SIGNS OF STRENGTHENING AFTER LAST WEEK'S FLURRY OF ACTIVITY AND RESULTING WEAKNESS FOLLOWING THE SAUDI ANNOUNCEMENT ON PAYMENTS.

4. MR. HEALEY STATED WITHOUT ELABORATION, THAT AGREEMENT HAD ALSO BEEN REACHED IN RIYADH WHICH OFFERS PROSPECTS OF SIGNIFICANT INCREASES IN BRITISH TRADE WITH SAUDI ARABIA. THE EFFECTS OF THE AGREEMENT, HE CONTINUED, WILL BE TO SUBSTANTIALLY INCREASE U.K. EXPORTS TO SAUDI ARABIA, THERE BY REDUCING THE NEED FOR CONTINUED GOVERNMENTAL BORROWING TO FINANCE THE ACCUMULATING OIL DEFICIT.

5. ON THE ISSUE OF CONSUMER-PRODUCER COOPERATION, HEALEY SAID THERE ARE DIFFERENCES BETWEEN THE U.S. AND SOME EUROPEAN GOVERNMENTS ON HOW THIS SHOULD BE ACHIEVED. HEALEY STATED THAT IF THE INTERIM COMMITTEE OF THE IMF ADOPTS HIS RECYCLING PLAN, THIS WOULD BE ONE OF THE BEST WAYS OF STARTING A DIALOGUE WITH THE PRODUCER NATIONS. HE CONTINUED BY SAYING THAT MANY COUNTRIES, INCLUDING OIL PRODUCERS, VIEWED THE KISSINGER/SIMON RECYCLING PROPOSAL AS SMACKING QUOTE TOO MUCH OF CONFRONTATION RATHER THAN DIALOGUE BETWEEN PRODUCERS AND CONSUMERS UNQUOTE. PROVIDING, HOWEVER, THE IMF FACILITY IS LAUNCHED IN JANUARY, HEALEY FELT THAT IT SHOULD ALSO BE POSSIBLE TO REACH AGREEMENT FOR A COMMON TRUST FUND ALONG THE LINES OF THE U.S. PROPOSAL, BUT IT WOULD TAKE SOME TIME BEFORE QUOTE DETAILED AGREEMENT CAN BE REACHED ON THAT PROPOSAL UNQUOTE.

6. THE CHANCELLOR CONCLUDED BY STATING THAT WITH THE INABILITY OF THE PRIVATE BANKING SYSTEM TO RECEIVE MUCH MORE SHORT-TIME MONEY BECOMING DEMONSTRATED, THE SCOPE FOR MORE COMPREHENSIVE AGREEMENTS WITH THE OIL-PRODUCING COUNTRIES BOTH ON TRADE AND FINANCE, IS OPENING. TO THIS END, HE ASSUMES THAT THE U.K. GOVERNMENT INTENDS TO MAINTAIN A PROGRAM OF VISITS TO THE OIL PRODUCING COUNTRIES OF THE NATURE HE HAD JUST CARRIED OUT.

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